



Report to the Auburn City Council

Action Item 3 Agenda Item No
City Manager's Approval <i>[Signature]</i>

To: Honorable Mayor and City Council Members
From: Robert Richardson, City Manager
Andy Heath, Administrative Services Director
Date: June 27, 2011
Subject: CalPERS Contract Amendment Resolution of Intention and Disclosure of Costs for Fire Safety Members to Participate in the 75% Industrial Disability Benefit Program

The Issue

Shall the City Council adopt a Resolution of Intention to approve an amendment to the Contract between the City of Auburn and CalPERS providing Public Employees' Retirement Law Section 21428 (Increase Industrial Disability Allowance to 75% of Final Compensation) for local fire members; and adopt a resolution disclosing the future annual cost of Section 21428 benefits at least two weeks prior to adoption of the Contract Amendment Ordinance?

Conclusions and Recommendations

1. The City Council, by **RESOLUTION**, adopts a Resolution of Intention to approve an amendment to the contract between the Board of Administration California Public Employees' Retirement System and City of Auburn providing Section 21428 (Increase Industrial Disability Allowance to 75% of Final Compensation) for local fire members.
2. The City Council, by **RESOLUTION**, consistent with Government Code Section 7507, discloses the future annual employer costs for the increase in benefits by providing Section 21428 for local fire members to be 5.093% of local fire member pensionable income for firefighters hired prior to May 1, 2011, and 3.899% of local fire member pensionable income for firefighters hired on and after May 1, 2011.

Background

On September 13, 2010 and May 23, 2011, the City Council approved Resolutions No. 10-117 and 11-56 adopting Memoranda of Understanding (MOU) between the Auburn Firefighters' Association and the City of Auburn for the periods July 1, 2010 through

June 30, 2011 and July 1, 2011 through June 30, 2013, respectively. As referenced in both of the approved MOU, the City agreed to contract with CalPERS as soon as practicable to provide the Public Employees' Retirement Law Section 21428 Increased Industrial Disability Allowance to 75% of Final Compensation Benefits for local fire members. City Council actions recommended herein facilitate the implementation of this benefit for the City's firefighters.

Analysis

Implementation of Section 21428 75% Industrial Disability Benefit

The Section 21428 75% Industrial Disability Benefit provides an expanded benefit payout (75% versus the current 50%) in the event an active firefighter becomes completely disabled on the job. Steps to implement the contract amendment must be undertaken as follows:

1. Governing body adopts a Resolution of Intention to implement the contract amendment – *June 27, 2011*.
2. Public disclosure of future annual costs to implement the contract amendment at least two weeks prior to the adoption of the Ordinance – *June 27, 2011*.
3. Governing body adopts a Contract Amendment Ordinance at least 20 days after the adoption of the Resolution on Intention – *July 25, 2011*.
4. Effective date of the contract amendment is the first day of the payroll period beginning after final adoption of the Contract Amendment Ordinance – *September 1, 2011 (assuming waiver of full reading and adoption of an urgency ordinance)*.

Certification of Compliance – Government Code Section 7507

Government Code Section 7507 requires future annual costs of providing benefits related to the implementation of Section 21428 Increased Industrial Disability Allowance to 75% of Final Compensation Benefits be made public for two weeks prior to the adoption of the Ordinance implementing the contract amendment.

The future annual costs for the increase in retirement benefits are estimated to be 5.093% of local fire member pensionable income for firefighters hired prior to May 1, 2011, and 3.899% of local fire member pensionable income for firefighters hired on and after May 1, 2011.

Alternatives Available to Council; Implications of Alternatives

1. Adopt a Resolution of Intention approving an amendment to the contract between the Board of Administration California Public Employees' Retirement System and City of Auburn providing Section 21428 (Increase Industrial Disability Allowance to 75% of Final Compensation) for local fire members; and adopt a resolution disclosing the future annual employer costs for the increase in benefits by providing Section 21428 for local fire members to be 5.093% of local fire member pensionable income for

firefighters hired prior to May 1, 2011, and 3.899% of local fire member pensionable income for firefighters hired on and after May 1, 2011 .

2. Do not adopt the resolutions and direct staff accordingly.

Fiscal Impact

The incremental annual cost to implement this benefit for Fiscal Year 2011-12 will be \$40,190. This amount, which consists of a normal expanded benefits cost of \$29,024 and an change in accrued liability component of \$11,166, has been considered with the development of the budget for the 2011-12 fiscal year.

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
CITY COUNCIL
CITY OF AUBURN**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 21428 (Increased Industrial Disability Allowance to 75% of Final Compensation) for local fire members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By: _____
Presiding Officer

Title

Date adopted and approved

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RESOLUTION NO. 11-

RESOLUTION TO MAKE PUBLIC THE FUTURE ANNUAL COSTS TO PROVIDE
BENEFITS UNDER THE CALPERS SECTION 21428 OF THE CALIFORNIA PUBLIC
EMPLOYEE'S RETIREMENT LAW

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

That the City Council of the City of Auburn, in accordance with
Government Code Section 7507, does hereby adopt a resolution to make public
for two weeks prior to the adoption of an ordinance, cost of providing benefits
under the California Public Retirement System's (CalPERS) Section 21574 -
Increased Industrial Disability Allowance to 75% of Final Compensation, for
local fire members, estimated to be 5.093% of local fire member pensionable
income for firefighters hired prior to May 1, 2011, and 3.899% of local fire
member pensionable income for firefighters hired on and after May 1, 2011.

DATED: June 27, 2011

William W. Kirby, MD, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify
that the foregoing resolution was duly passed at a regular meeting of the City
Council of the City of Auburn held on the 27th day of June 2011 by the
following vote on roll call:

Ayes:
Noes:
Absent:

Joseph G. R. Labrie, City Clerk

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